

Financial Application Audit (Advantage) – Summary Report

Processing Controls	Manual and automated controls that relate to processing invoices were consistently applied in our sample of purchase orders. Input validation controls also appeared reasonable and effective.
Increase Discounts	The County's office supply contract includes terms that provide a discount based on the percentage of online (Internet) orders. Currently, only 40 percent of County orders are placed through the Internet. Given an estimated \$3 million in annual activity for office supplies, discounts could be increased \$15,000 per year. Materials Management should continue to expand and encourage Internet ordering to take advantage of available discounts.
Security	Segregation of duties is a primary internal control intended to assure that any one person does not have access to two different control functions. Users currently perform application security duties for Advantage. As a result, those users have a high level of system access authority that could lead to the corruption of system integrity and security. DOF should restrict access as appropriate.
System Limitations	The current Advantage system is not being used to its capacity. Certain useful information (e.g. job costing) are not provided or tracked by the system or may not be provided in a timely manner. The County recently hired consultants to perform an analysis of the existing financial systems to determine if they meet current and future financial reporting needs of the County. We support this action and commend management for initiating the study.
Purchase Requisitions	Some Advantage users have authority to authorize purchase requisitions on-line even though they have not been delegated signature authority by their department head or director. This ability allows a person to enter purchase requisitions and approve purchase orders that may result in conflicting job duties. Materials Management should review all users that have the ability to perform on-line authorizations and confirm that these system rights are consistent with written signature authorization lists.
Purchase Orders	Manual procedures related to signing contracts and purchase orders, and related documentation were consistently followed in our sample of purchase orders. Input validation controls also appeared reasonable and effective.
Vendor File	The current vendor file contains duplicate entries and inactive vendors. When the vendor master file is not periodically reviewed for accuracy and relevancy, the potential for errors increases. ATC should continue to test the purge program and perform the purge in the production environment once the testing is completed.

Correctional Health Services – Executive Summary

Contract Activities

Our review of Correctional Health Services Department's (CHS) contractor billings and subsequent payments found that the department does not adequately review medical provider and nurse registry timesheets to verify accuracy. CHS also does not verify that drug purchase billings do not exceed the prices authorized by the contract. These control weaknesses increase the County's financial risk. CHS should improve controls over these contract activities.

Inventory Controls

CHS' inventory controls over commonly used drugs stocked at jail clinics do not provide adequate security, which exposes the County to potential legal and financial risk. Our review identified drugs that CHS has purchased in significantly higher relative quantities than two other comparable Arizona corrections agencies, without apparent reason. CHS should improve drug security and inventory controls at jail clinics.

Operational Efficiencies

The manual processes that CHS uses to transmit prescription orders and record/track medical records are inefficient. The department should utilize the functionalities currently available in its automated pharmacy system and continue pursuing an automated medical records management system.

Pharmacy System Access

CHS' user access levels for its pharmacy system appear appropriate for job requirements. However, CHS has not established adequate password controls to ensure system integrity; increasing the risk of data destruction or inappropriate disclosure. CHS should strengthen its pharmacy system password controls.

Business Continuity

CHS has not developed a formal business continuity plan to minimize the risk of unplanned interruptions and ensure continued operations should a major disaster or disruptions occur. The department should develop, test, and periodically update a formal business continuity plan.

Inmate Charges

The Sheriff's Office assesses non-indigent inmates a \$3 co-pay for requested services and prescriptions, which recovers only a small percentage of the expenses incurred. CHS is currently determining the feasibility, costs, and benefits of establishing a program to recover more costs. When completed, CHS should tabulate the results and present the information to County management.

Mail Services Contract - Executive Summary

Contractor Performance

Our examination of the County's mailroom operations and the results of the Materials Management Department's annual customer satisfaction surveys show that overall Pitney Bowes is effectively performing mail services activities in compliance with contract requirements. In addition to user surveys, the Materials Management Department should test the contractor's performance at least quarterly.

Invoice Review

Our review of all (\$347,623) County payments made to Pitney Bowes, Inc. during July 1999, September 1999, and March 2000 found no exceptions to contract terms. However, the County did not adequately review the contractor's billings, to verify compliance with contract requirements, before making payment. The Materials Management Department should review the contractor's billing invoices on a regular basis to reduce the County's financial risk and the potential for contractor abuse and fraud.

Contract Monitoring

The Materials Management Department has not closely monitored the mail services contractor's performance and compliance with applicable requirements, which exposes the County to possible financial risk and contractor abuse and fraud. The Materials Management Department should formally monitor contractor performance on a regular basis using written procedures that include review frequency, scope, and documentation retention.

Contract Review - Office of Court Appointed Counsel - Report Summary

Contractor Overpayments

Our review of \$396,232 of County payments made to one Office of Court Appointed Counsel (OCAC) contractor, from July 1994 to May 1999, found \$5,675 (1.4%) that does not appear to be allowable under contract terms. These overpayments resulted from inadequate reviews of the contractor's billing invoices. OCAC should attempt to recover the overpayments from the contractor and more closely review contractors' billing invoices before authorizing payments.

Contract Monitoring

OCAC has not closely monitored contractors' performance and compliance with contract provisions. Inadequate contract monitoring increases the County's financial risk and the potential for contractor abuse and fraud. OCAC should formally monitor all contractors' performance on a regular basis.

Contractor Services

Departmental records show that all contract work, performed by one OCAC contractor from July 1994 to May 1999, was properly authorized and approved. No exceptions were found.

Equipment Services Department – Report Summary

Inventories Our testing of MCESD's \$159,000 parts inventory and \$52,000 tire inventory found many significant shortages, overages, and inadequate security controls. The control weaknesses expose County assets to risk; increasing the possibility of inventory shrinkage. MCESD should establish and implement controls necessary to better safeguard its parts and tire inventories.

Working Agreements MCESD sells fuel to ten governmental agencies without Board approved Intergovernmental Agreements (IGA); a requirement of Arizona Revised Statutes (ARS) and County policy. The department has also entered into contracts with automobile and parts manufacturers that are not signed by the Board Chairman, as required. These practices expose the County to legal and financial risk. MCESD should develop formal agreements with these outside agencies that are approved and signed by the Board, as soon as possible.

Alternative Fuel Program Maricopa County is not meeting the State of Arizona's Alternative Fuel Program requirement that 75 percent of fleet vehicles be equipped to operate on alternative fuel by December 31, 2000. As a result, the County is exposed to possible sanctions. MCESD should keep County management informed concerning any sanctions that the State may impose, resulting from non-compliance with Alternative Fuel Program requirements.

Customer Billings Our examination of MCESD's FY 1998-99 customer billings found that parts, services, and fuels provided were charged to the appropriate agencies. All billings were supported by work orders and fuel system records. However, MCESD has not established adequate controls to verify that all work billed has actually been performed and that fuel charges are uniform. These weaknesses increase the risk that customers may be overbilled, parts may be utilized for other than intended purposes, and mechanics may inflate their productivity. MCESD should strengthen controls over its customer billing process.

Systems Access MCESD does not require written authorization for adding, changing, or deleting user access to its data. Procedures requiring written management approval help to ensure that access is properly authorized and security levels are appropriate. MCESD should strengthen controls over user system access.

Fuel Purchases Our review of MCESD fuel purchases and payments, made from the County's \$1.9 million annual contract, found no exceptions to contract terms and conditions. MCESD closely reviews billing invoices, before authorizing payment, and has established adequate controls for monitoring the vendor's performance and compliance with contract provisions.

Operational Activities Our examination and testing of other important MCESD activities found overall that the department effectively performs these functions in an efficient manner. Some control weaknesses and needed improvements were identified. Corrective measures can lower costs, improve performance, and reduce risks. MCESD should take action to strengthen controls in these areas.

Administrative Activities We found no material exceptions to County policy requirements during our review of MCESD administrative work activities. Some control weaknesses were identified that expose the department to financial risk. MCESD should strengthen controls over processing employee payroll and reviewing telecommunications equipment charges.

Maricopa Integrated Health System Contract Review (HBOC) Report Summary

Procurement Code MIHS extended the County's contract with HBOC in 1997 from 5 to 7 years, but did not provide the written justification required by the County Procurement Code for extending this contract. Written justification is required to show that extensions benefit the County. MIHS should document the justification for the extension.

Cash Collections HBOC monthly performance reports show that as of August 1999, Business Office cumulative cash collections were \$16 million short of the contract-required goal, resulting in an estimated \$1.1 million loss in interest earnings. MIHS should monitor cash collection performance more closely.

Cash Collection Reporting As a result of inaccuracies in FY98 and FY99 Cash Collection reports, HBOC may have received undue credit toward reaching its contract-required cash collection goals and potentially averted penalties of up to \$375,000. MIHS should review FY98 and FY99 collections to determine if HBOC missed its goals and should apply penalties if applicable. Cash schedules should be reconciled on a monthly basis.

Fiscal Sanction Because bills were submitted to payers after contractual deadlines, MIHS lost \$2.7 million in income from FY97 to FY99. MIHS fined HBOC \$1 million in August 1999 for the late FY99 billings; however, MIHS intends to analyze the late billings and refund those not attributable to HBOC error. MIHS should also research the FY97 and FY98 losses (\$1.7 million) for potential penalties.

Payment Authorizations HBOC reports show that the Patient Registration Department consistently complies with contract terms, however, MIHS financial reports show \$2.1 million in losses resulting from the department's (and to some extent, the clinics') neglect in obtaining necessary authorizations prior to service delivery. MIHS should request that HBOC reports show billing amounts rejected due to missing authorizations and determine if penalties for past losses can be assessed.

HBOC Budget Overages	MIHS payments to HBOC appear to have exceeded contractual budget limitations in FY99 and FY98 by at least \$277,308. MIHS should research the potential budget overages to determine if the variances are attributable to “out of scope” activity, and if not, MIHS should pursue recovery of the overages.
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Accounts Receivable	The Business Office allows its accounts receivable to age longer than the contract allows (“percent of gross accounts receivable > 90 days”). As receivables age, the likelihood of collection usually diminishes. Accounts receivable age if they are not collected or not written off. MIHS should evaluate the accounts receivable aging to determine if corrective action is needed.
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Steering Committee	An Information Systems (IS) Steering Committee can perform a critical function in monitoring and supervising the implementation of a company’s information systems strategic plan. At the time of our audit, an IS Steering Committee had not been formed. Lack of a Steering Committee may have led to inefficiencies and increased costs of over \$1.7 million. MIHS is planning to start a committee during the first quarter of 2000.
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Contract Payments	Overall, hardware, software, and implementation costs were paid according to contract terms. However, we identified questionable payments totaling \$171,931 that are currently being researched for possible recovery. MIHS should recover any inappropriate payments made to HBOC.
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System Controls	Controls over program changes for Managed Care Systems need to be strengthened. Most of the program changes we tested were not approved according to established procedures. Weak controls may allow unauthorized changes, resulting in processing delays, unpredictable processing results, and fraud. Management should strengthen controls in this area.
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General Controls	Overall, general controls over the MIHS Data Center appear to be adequate. We noted several areas where controls could be improved. Two of these areas are disaster recovery and data security administration. Management should strengthen controls to protect County data and systems from loss, unauthorized changes, and potential business interruption.
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Justice Facilities - Executive Summary

Jail Tax Expenditures

The County has established adequate internal controls for managing material risks relative to the Jail Tax funds expenditure cycle. These controls ensure that monies are safeguarded and used in accordance with statutory requirements. This control system has elements in the Department of Finance (DOF), Office of Management and Budget (OMB), and Criminal Justice Facilities Development Department.

Jail Tax Revenues

Our review indicates effective controls exist over Jail Tax revenues after the funds are received by the County. However, currently no validation is performed to ensure that all amounts collected, by the State, are remitted to the County. If this activity is not performed, the County is exposed to significant potential financial risk. DOF should perform a reconciliation between monies collected by the State and funds remitted to the County.

Materials Management Department - Executive Summary

Procurement Code Compliance

Our review of County contracts found overall that the Materials Management Department (MMD) complies with the requirements of the Maricopa County Procurement Code. We found some instances where procurement documentation was incomplete, which increases the risk of non-compliance with Procurement Code requirements, vendor protests or lawsuits, and financial exposure. MMD should develop follow-up procedures to ensure that key contract documentation is prepared and maintained.

Controls Over Cash Bonds

MMD maintains bond checks in the amount of \$40,000, on premise, that are not maintained in a fireproof safe and are not effectively controlled and accounted for. These control weaknesses increase the County's risk of funds loss through fire, theft, or actions such as stop payments. MMD should work with the Treasurer's Office and the Department of Finance to deposit and account for the funds.

Procurement Card Administration

MMD effectively administers the County's Procurement Card (P-Card) program. However, during our audit testing we found some significant control weaknesses and exceptions to County policy requirements. MMD should strengthen program controls and enhance procedures to ensure that P-Card purchases comply with County policy requirements.

Emergency Procurements

Our testing of emergency procurements found many exceptions to Maricopa County Procurement Code requirements. Adherence to established rules promotes management accountability, competitive pricing, and equal treatment of County vendors. County management should make sure that all emergency procurements be used only in emergency situations, fully document the nature and extent of the procurements, and report all such procurements to the Board.

Monitoring Functions

MMD effectively employs monitoring functions over two key processes within the department's operations; Contract Compliance and P-Cards. Three FTE's are utilized to ensure that the requirements of these programs are followed. The monitoring functions include adequate sampling criteria, written testing procedures, reporting of testing results, and follow-up procedures.

Employee Vendors

Maricopa County policy and practice currently allows vendor contracts to be awarded to full-time employees, which has led to one apparent case of conflict-of-interest. We also identified more than 100 employees that are registered with the County as vendors. County management should identify all employees registered as vendors and work with the Human Resources Department to address any potential conflict of interest situations.

Office Depot Web Security

The Office Depot web server appears to have several significant security vulnerabilities that may allow a hacker to gain access and make changes to the web server. Credit card numbers, accounting strings, and other County information could be obtained. MMD should follow-up with Office Depot to ensure that appropriate measures are taken to reduce these risks.

Security Weaknesses

We identified security weaknesses that may allow unauthorized purchases of office supplies. Formal security procedures have not been developed for administering and using the Office Depot application. MMD should develop procedures addressing requirements for authorizing new users, application security including password standards, terminated users, and application administration.

Department Billing

Most (87%) of the users of Office Depot's on-line ordering system are able to bill office supply purchase costs to any department. Inadequate controls over billing strings increase the risk that costs may be improperly billed. MMD should work with Office Depot to correct the configuration errors that allow this to occur.

Department of Medical Eligibility (DOME) - Report Summary

Level of Pre-AHCCCS Claims	Maricopa County's pre-AHCCCS claims costs have remained at high levels over the past four years, totaling \$17.8 million in FY 1999. Reducing pre-AHCCCS claims costs is dependant upon DoME's ability to make accurate eligibility determinations within the 48-hour window established by AHCCCS. DoME should consider changes to the core eligibility determination process. These changes could include an increase in the staffing levels and the wage base of eligibility workers, and increasing the percentage of bilingual interviewers.
Determination Error Rate	DoME's error rate for determining AHCCCS eligibility is consistently above the acceptable level of 3% set by AHCCCS Administration. These error rates resulted in initial monetary sanctions of \$982,244 in 1997 and \$499,623 in 1998. To reduce the error rate, DoME should consider expanding their secondary review of eligibility decisions and increasing the level of training provided eligibility workers.
Claims Processing	Audit test work indicates the Claims Division appropriately reviews and pays approved claims, takes advantage of cash discounts, and communicates admissions information to the correct DoME location in a timely manner. However, provider notifications received on nights and weekends typically cannot be processed within prescribed timeframes. DoME should consider expanding staffing hours for the Notifications Unit to include evening and weekend hours currently not worked.
Benchmarking Survey Results	Benchmarking comparisons with peer counties indicate certain DoME operations might be improved. Improving these areas could have positive effects on DoME's determination error rate and pre-AHCCCS claims payments. DoME management should review the staffing levels of eligibility workers, wage rates for both entry level and long-term eligibility workers, procedures for secondary review of eligibility decisions, and the percentage of bilingual eligibility workers.
Fixed Asset Tracking	DoME does not accurately track fixed assets or reconcile assets with Department of Finance (DOF) records. We performed a complete physical inventory of fixed assets and found differences between DOF asset records and the assets on hand. DoME should enhance controls over fixed assets by tracking the location of fixed assets and reconciling department records with DOF records.

User Access Controls	User access is not adequately restricted to the eligibility system. Inadequate user access controls may allow unauthorized changes to DoME data resulting in processing errors and delays, access to proprietary or confidential information, and fraudulent activity. DoME should limit user access based on job responsibility.
Program Change Controls	DoME's program change policies and procedures are not clearly delineated and documentation of changes to DoME applications is not maintained. Inadequate program change controls increase the risk of unauthorized changes that may result in program errors and omissions, system downtime, erroneous output, and computer abuse/fraud. DoME should develop adequate program change procedures.
Business Continuity	DoME developed a contingency plan as part of its Year 2000 preparations, however the plan was incomplete. Furthermore, DoME does not have any kind of fire suppression system in its computer center. Inadequate business continuity planning may result in lost or incorrectly processed data, expensive recovery efforts, and inaccurate or incomplete information. DoME should acquire a fire suppression system (e.g. fire extinguisher) and expand its current contingency plan. The contingency plan should be tested periodically.

Office of Court Appointed Counsel - Report Summary

Contractor Procurement	Our examination of the Office of Court Appointed Counsel's (OCAC) FY 1999-2000 contractor recruitment and selection activities found that the office complied fully with Maricopa County Procurement Code requirements. No exceptions were found.
Contractor Payments	Our review of \$472,661 of payments made by OCAC to its contractors, from July 1997 through June 1999, found \$9,331 (2%) that does not appear to be allowable under contract terms. These overpayments resulted from inadequate reviews of the contractors' billings; a process that OCAC has improved during the last year. OCAC should attempt to recover the overpayments, if possible, and continue to improve its billing review process.
Benchmark Comparisons	OCAC's administration of the County's alternative defense program compares favorably with several other large western U.S. counties surveyed. Some of the other counties' practices may be beneficial to Maricopa County; OCAC should review these and consider them for possible implementation.
Administrative Activities	We found some significant variances in OCAC's line item budgets and expenditures for FY 1996-97 and FY 1997-98, which indicate a need for improved controls and operational efficiency. During FY 1998-99 OCAC implemented improvements. OCAC does not utilize financial and statistical information, generated by its internal tracking and reporting system, to control expenditures and evaluate operational performance. OCAC also does not adequately segregate employee payroll preparation and distribution duties. OCAC should strengthen controls and procedures in these areas.
Information Systems	An information systems consultant maintains OCAC's automated system using the logon ID and password of an OCAC employee. This practice removes the consultant's accountability and exposes the employee to risk since all changes are shown to be performed by the employee. As a result of this audit, OCAC has taken actions necessary to tighten user access controls and secure internal data.
Indigence Determination	The process used by the Superior Court to determine the indigence status of persons charged with committing crimes does not ensure that only indigent defendants are assigned to the Public Defender, Legal Defender, and OCAC. Less than 25 percent of these defendants are verified, by the Superior Court, to be indigent. As a result, the County may be paying for legal services for some defendants that are not eligible to receive those services.

Payroll Application Audit - Report Summary

User Access Security	<p>In general, the payroll system level security is properly administered, controlled, and thoroughly documented. However, we found that security should be improved in the areas of field level access controls, passwords for the "Security" Operator profile, and security tracing. Inadequate access controls may diminish the reliability of computerized data and increase the risk of destruction or inappropriate disclosure of data. The Human Resources Department (HRD) and the Administrative Technology Center (ATC) should improve Payroll system security controls.</p> <hr/>
Program Changes	<p>Program changes are not consistently approved. This could result in processing delays due to errors and/or corruption of payroll data or the payroll system. In addition, several programmers are sharing the same critical user ID and password. This practice does not provide adequate programmer accountability and may increase the risk of unauthorized access to system resources. All program changes should be properly approved before they are migrated to production and programmers should be assigned a unique user ID and password.</p> <hr/>
Data Integrity	<p>Audit software was used to independently test the integrity of all payroll transactions for one payroll cycle. All exceptions were adequately explained. Appropriate management and system controls appear to be in place, helping ensure the integrity of the payroll system.</p> <hr/>
Segregation of Duties	<p>Adequate segregation of duties exists within the Employee Information Services Division (EISD) in HRD and the ATC. However, weaknesses were identified within some of the individual County departments tested. These weaknesses may result in unauthorized/fraudulent time, PTO, overtime, etc. submitted for input to the system and subsequently processed without detection. HRD should improve controls to ensure adequate segregation of duties.</p> <hr/>
Payroll Withholding Taxes	<p>Federal Publication 15 (Employer's Tax Guide) provides employers with information concerning federal payroll withholding taxes including current tax rates. Based on the sample of federal tax rates tested, the payroll system is using the appropriate rates for tax year 2000. Furthermore, procedures used for maintaining the federal tax tables appear reasonable and appropriate.</p>

**Disaster
Recovery**

ATC does not have a documented and tested disaster recovery plan to provide continuity of data processing operations in the event of a major disaster. Therefore, it does not have assurance it can recover the payroll system following a major disaster or disruption in data processing capability. ATC should develop a disaster recovery plan and the plan should be tested periodically and updated as changes occur.

MIHS – Pharmacy - Executive Summary

Inventory Transfers

Maricopa Integrated Health System (MIHS) outpatient pharmacies do not record transfers of non-controlled drugs, made from one outpatient pharmacy to another. This lack of documentation greatly reduces the department's ability to track inventory, reconcile asset amounts, and safeguard the transferred items. These conditions increase the risk that assets could be misappropriated. MIHS pharmacies should strengthen controls over the inventory transfer process.

Outdated Inventory

Outpatient pharmacies do not routinely check their drug and supply inventory for outdated and "soon-to-expire" items, as required by pharmacy policy. We estimate that MIHS loses at least \$16,000 per year by returning already expired items to vendors. Furthermore, some of the pharmacies' methods for disposing expired drugs do not comply with standard procedures or accreditation agency regulations. These control weaknesses increase MIHS' risk for incurring regulatory sanctions. MIHS should strengthen controls over the drug inventory and disposal processes.

Inventory Security

One outpatient pharmacy does not store controlled narcotics with adequate security to deter potential theft. Pharmacy industry standards require that controlled substances be stored in secure areas or in a manner sufficient to obstruct theft or diversion. Each MIHS pharmacy should ensure that all controlled narcotics are stored with effective security.

Physical Inventory

Outpatient pharmacies perform one or two random physical inventories of non-controlled drugs during the year; however, year-end inventories are not performed as required by MIHS policy. This control weakness increases the risk that MIHS may inaccurately report drug inventories in its financial statements. The pharmacies also account for purchases and usage of non-controlled drugs in a manner that reduces the department's ability to make accurate actual usage and shrinkage calculations. Each pharmacy should follow established inventory policies and procedures.

Purchasing

The pharmacy's decentralized drug purchasing process allows each outpatient pharmacy location to purchase drugs without obtaining prior authorization, confirming standard inventory levels, or meeting standardization requirements. The decentralized system lacks adequate controls to ensure that the pharmacy purchases only the highest quality supplies at the lowest cost. MIHS pharmacy management should

strengthen controls over this area and investigate the feasibility of centralizing its purchasing activities.

Cash Handling

MIHS pharmacies' cash handling controls are weak and written policies and procedures have not been developed. We found that people share cash drawers, do not perform daily deposits, and do not reconcile daily cash receipts. The pharmacies should strengthen cash handling controls to better safeguard County assets.

Manufacturer Refunds

Pharmacies return drug supplies to vendors for various reasons and sometimes receive refund checks rather than account credits. Written policies and procedures for handling these manufacturer refund checks have not been developed. We found, at several pharmacies, that one person performs multiple conflicting duties (cycling inventory, purchasing, cash receipting, receiving refund checks) and may be able to divert funds. Management should strengthen controls over this activity.

Partial Prescription Fills

Outpatient pharmacies bill all third-party payers the full prescription amount for partially filled non-controlled drug prescriptions and do not provide credit for unclaimed partial fills. This practice is inconsistent with State guidelines, which require pharmacies to bill only the portion actually filled. This practice also causes over-billings, compromises inventory management, and can lead to inaccurate patient records. MIHS pharmacy management should strengthen controls over this process to comply with State requirements.

Prescription Adjudication (Review) Needed

Approximately 25 percent of prescriptions filled by outpatient pharmacies are not adjudicated by an outside prescription adjudication service. Our testing revealed errors such as questionable multiple prescriptions to the same individuals and potential adverse drug interactions. These errors could lead to adverse medical and financial consequences. Management should implement controls needed to prevent errors and flag unusual issues.

Prescription Adjudication

MIHS uses an outside vendor to adjudicate approximately 75 percent of its prescriptions for patient eligibility, formulary compliance, accuracy, pricing, and drug interactions. We found that MIHS has not elected to use all of the vendor's available adjudication features and that inaccurate or inappropriate transactions have occurred. These conditions increase the risk of adverse medical and financial consequences. Management should ensure that prescription adjudication systems are enhanced to catch prescription errors and duplications and that all prescriptions receive proper adjudication.

Client Confidentiality

Five of the nine MIHS outpatient pharmacies improperly dispose of confidential patient information, increasing the risk of unauthorized use and potential for regulatory sanctions. Patient confidentiality standards and MIHS policy require that due care be exercised when disposing of patient information. Management should strengthen controls over patient information disposal.

Vendor Invoicing

Our review of outpatient pharmacies' drug invoices show that the primary vendor practices inconsistent pricing for the same drugs. We estimate that the inconsistent pricing costs the outpatient pharmacy \$14,000 annually. We were unable to ascertain that MIHS is receiving the lowest available pricing due to a lack of available information. Management should strengthen controls over its drug payment review process.

Planning and Development Department - Executive Summary

Accuracy of Permit Reporting

Our examination of permit information that the Planning and Development Department (P&D) recently provided to the Assessor's Office found a significant amount of the permit information to be incomplete and inaccurate. This erroneous information prohibits the Assessor's Office from properly assessing taxes for these permitted properties and, if not corrected, reduces potential revenues by more than \$2.2 million; negatively impacting the General Fund by \$205,000. P&D should correct the reporting errors and strengthen controls over this function.

Collection of Anthem Fees

P&D's controls over Single-Family Residence permits, for the Anthem Development Master Plan, are not adequate to ensure that all fees due are assessed and collected. Our audit testing found \$14,600 of fees that have not been assessed and need to be collected from Del Webb. P&D should recover these fees and strengthen controls over this activity.

Effectiveness of Plan Reviews

Our review of the P&D Plan Review activities found that the division effectively reviews construction plans for zoning and building code compliance, as required. Our review of payments, made for services pursuant to P&D's Plan Review Services contract, found one overpayment for \$367. P&D should recover this overpayment and closely review the contractor's future billings.

Information System Controls

User access security controls over P&D's PermitsPlus system are weak: 1) User access is not formally authorized, 2) Sound password parameters have not been established, and 3) User access levels are excessive for job requirements. These weaknesses diminish the reliability of data and increase risk of destruction or inappropriate disclosure of data. P&D should strengthen its user access security controls.

Service Fees

P&D service fees are derived from the Maricopa County Uniform Building Code and have been approved by the Board, as required by ARS. No exceptions were found.

Rates and Fees – Environmental Services Report Summary

Fee Accuracy	A review of the fee calculations indicates that Environmental Services does not have a current fee calculation in place to substantiate the permit fee amounts. Because the permit fees are based on historical data, there is a risk that they do not reflect current program costs. Fees charged by the department should be recalculated and analyzed periodically.
Permit Renewals	Overall, Environmental Services appears to effectively administer the renewal of permits in accordance with applicable regulations and departmental policy. However, management does not have a formal process for the collection or write-off of late charges related to permit fees. In FY 99-00, \$62,655 in late fees were waived. Key controls should be added to ensure fee revenue is maximized and responsibility for the write-off of uncollectible fees resides with the appropriate level of authority.
Compliance	Our examination of a sample of permits issued indicates the department is not in complete compliance with regulations and internal departmental policy. Most significantly, the department is renewing permits for an additional year while the application is being processed. As a result, customers are charged two permit fees within a twelve-month period. The department should initiate the necessary changes in their operating procedures to ensure compliance with all regulations.
Cash Receipts	Overall, controls over the cash receipts cycle at Environmental Services safeguard cash and cash equivalents. The system of internal controls includes physical safeguards, receipting controls, depositing controls, segregation of duties, and a monitoring/reconciliation function. There are, however, exceptions which, if corrected, would enhance controls over cash and cash receipts.
Accounts Receivable	An effective system is in place within Environmental Services for assessing late fees at regular intervals and taking necessary enforcement action as per regulations. However, incompatible duties associated with past due accounts (Health Services) and fines and penalties (Air Quality Division) should be reassigned. This lack of segregation of functions could put County assets at risk. Management should initiate receipting and segregation of duties procedures to address this issue.

Rates and Fees – Recorder's Office

Report Summary

Fee Accuracy The Maricopa County Recorder's Fee Schedule accurately reflects fee amounts as set forth in the applicable sections of the Arizona Revised Statutes.

Processing Transactions The Recorder's Office effectively processes approximately 90,000 documents per month. Our examination of a sample number of recordings indicates the documents are properly recorded in accordance with internal departmental policy. During our transaction testing we noted one area, involving the ability to override amounts due, in which internal controls could be improved by implementing additional system checks.

Segregation of Duties A key component of an effective internal control system is the adequate segregation of duties between the physical custody of assets and the record keeping responsibility for those assets. In the refund cycle, incompatible duties are performed by the Accounting Technician, which pose a risk that county assets could be misdirected and not detected on a timely basis. Responsibilities should be segregated to minimize the risk to the Recorder's Office and optimize internal control.